Appendix A:
PVE Funds

Table 9. PVE Funding History At-A-Glance (A-1)

Petroleum Violation Escrow Funds (A-3)

Chevron Settlement (A-3)

Warner Amendment (A-4)

Exxon Case (A-4)

Stripper Well Agreement (A-5)

Diamond Shamrock (A-5)

Table 9. PVE Funding History At-A-Glance

	Chevron	Warner Amendment	Exxon	Stripper Well	Diamond Shamrock
Funding Distribution	$25 million, 1981	$200 million, 1983	$2.1 billion, 1986	$1.5 billion, 1986	$48.6 million, 1986
Allowable Uses	Ride-sharing, public transportation, building energy audits, grants or loans for weatherization and energy conservation equipment installation, energy assistance programs, highway and bridge maintenance and repair, airport maintenance and improvement, reduction in airport user fees, energy conservation research.	SECP, EES, Weatherization Assistance Program, Institutional Conservation Program, Low-Income Home Energy Assistance Program Block Grant. No administrative expenses.	Same programs as Warner Amendment. No administrative expenses.	Same programs as Warner Amendment and Chevron settlement or any program approved by DOE's Office of Hearing and Appeals. Up to 5% for administrative expenses. Can be used as nonfederal match for Federal grant funds.	Same as Stripper Well. Any amount, up to entire refund, for administrative expenses not to exceed 5% of states total PVE receipts. Can be used as nonfederal match for Federal grant funds.
Regulations/ Reporting Requirements*		All regulations and reporting requirements for the applicable Federal programs apply.	Same as Warner Amendment. State required to submit annual report to DOE and the Court 30 days after close of State's fiscal year.	If State puts funds into Federal program, all regulations and reporting requirements apply. State required to submit annual report to DOE and the Court 30 days after close of State's fiscal year.	Same as Stripper Well.
Regulations/ Reporting Requirements*		Funds cannot be spent outside the grant programs.	Funds cannot be spent outside the grant programs.	For funds spent outside the grant programs: States send proposals to DOE Headquarters and the Court. Headquarters committee reviews State proposals for consistency with settlement agreement. DOE notifies State whether proposal is consistent. DOE Headquarters sends copies of all correspondence with States (with copies of proposals) to appropriate RSO.	For funds spent outside the grant programs; States are not required to notify DOE before spending funds.
Approval Process	RSOs must approve all PVE funds put into the State Plans, regardless of source, as part of the State Plan for the applicable program.				

* States may file one annual report to DOE and the court covering Exxon, Stripper Well, and Diamond Shamrock funds.

Appendix A: PVE Funding History

Petroleum Violation Escrow Funds

Beginning in 1983, additional funds became available to the States as a result of alleged oil company violations of the Federal oil pricing controls in place from 1973 to 1981. These funds are known as Petroleum Violation Escrow (PVE) funds or oil-overcharge funds.

PVE funds must be used to provide indirect restitution to energy consumers through a variety of energy-related programs. Each State determines how it wishes to allocate the funds across eligible programs. The States may use these funds and the interest earned on them to finance SEP activities. PVE funds allocated to the SEP are treated as appropriated funds and are subject to program requirements. They are not, however, subject to the cost-sharing requirement or the 20% limitation on equipment purchases under SEP.

PVE funds became available to the States through several mechanisms:

- Settlements (for example, Chevron, Diamond Shamrock, and Stripper Well).
- Legislation (the Warner Amendment).
- Other court actions (Exxon).

Chevron Settlement

The first major case, involving the Standard Oil Company of California (Chevron), was settled in the fall of 1981. This case is important for two reasons. The *Chevron Consent Order* was the first major settlement to use the method of indirect restitution that would be used in the other major cases to follow. Also, the *Chevron Consent Order* specified nine general categories of allowed expenditures that were related to energy use. These categories were:

- Ride-sharing.
- Public transportation.
- Building energy audits.
- Grants or loans for weatherization and energy conservation equipment installation.

- Energy assistance programs.
- Highway and bridge maintenance and repair.
- Airport maintenance and improvement.
- Reduction in airport user fees.
- Energy conservation research.

Under the *Chevron Consent Order*, the States received approximately $25 million, according to a formula based on the estimated volume of the product sold by Chevron within each State during the period of the price controls.

Warner Amendment

In 1983, the *Warner Amendment to the Further Continuing Appropriations Act* (P.L. 95-105) affected a one-time appropriation of $200 million. The Federal government distributed these PVE funds to the States using a formula based on the estimated volume of covered oil product sold within the State during the period of price controls. The *Warner Amendment* required these funds be used by the States "as if received" under one or more of the following five Federal energy programs:

- State Energy Conservation Program (SECP).
- Energy Extension Service (EES).
- The Institutional Conservation Program (ICP).
- The Weatherization Assistance Program (WAP).
- The Low-Income Energy Assistance Block Grant (administered by the Department of Health and Human Services).

The *Warner Amendment* directed that States cannot use funds for administrative purposes.

DOE issued *Ruling 1983-1* in February 1984 to outline the procedures for implementing the *Warner Amendment*. Among other things, *Ruling 1983-1* established that, once a State allocated *Warner Amendment* funds to a program, all the rules, regulations, and reporting procedures governing that program would apply. The one exception, however, is that State matching requirements for SECP and EES were waived for the PVE funds.

The Exxon Case

A U.S. District Court decision in 1983 found Exxon Corporation liable for overcharges on domestic crude oil. In March 1986, after several years of litigation, the decision of the District Court was upheld, and the Exxon case was settled. The court directed the Exxon Corporation to pay DOE $2.1 billion, which was disbursed to the states under a formula similar to the one used in the *Warner Amendment* case. The Exxon court order adopted the terms specified in the *Warner Amendment* and directed States to use these funds in any or all of the five programs previously listed. No funds were to be used for administrative expenses. The court stated DOE *Ruling 1983-1* also applied to the use of Exxon funds and States should file an annual report with DOE and the court describing how the funds had been used during the course of the year.

Stripper Well Agreement

In July 1986, the U.S. District Court in Kansas issued its *Opinion and Order Approving Multidistrict Litigation (MDL) 378*, the *Stripper Well Agreement*. DOE, the States, petroleum refiners and resellers, and others involved with the issue agreed to the settlement, which covered 42 separate oil-overcharge cases. With a few specific exceptions, the agreement provided terms and conditions for all future crude oil overcharge cases.

The *Stripper Well Agreement* broadened the scope of activities eligible for funding beyond the *Warner Amendment*. (Particular restrictions based on the circumstances of each case may apply.) The agreement allows the States a much greater degree of flexibility in how the funds can be used. Stripper Well funds can be used in:

- Any program that falls into the nine major categories listed in the *Chevron Consent Order.*
- Any of the five Federal programs listed in the *Warner Amendment*.
- Any program approved by DOE's Office of Hearings and Appeals.

The agreement does require the States to notify DOE and the court 30 days before any money is spent and to file an annual report with DOE and the court describing how the funds were used during the year. The agreement also allows States to use up to 5% of the funds for administrative costs.

On March 6, 1987, DOE's Economic Regulatory Administration issued a memorandum outlining DOE's opinion that PVE funds received under the terms of the *Stripper Well Agreement* are not considered Federal funds. States can use PVE funds as "nonfederal" match for Federal grant funds.

Diamond Shamrock

In 1986, the Diamond Shamrock case was also settled, sending $48.6 million to the States. The provisions of the *Diamond Shamrock* settlement regarding allowable use of the funds are nearly identical to the *Stripper Well Agreement*. One significant difference is that States can use any amount, up to their entire Diamond Shamrock refund, for administrative expenses, as long as that amount does not exceed 5% of the State's total PVE receipts. Diamond Shamrock funds can also be used by the States as a "nonfederal" match for Federal grant funds.